



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 3, 2004

### **H.R. 4916** **Surface Transportation Extension Act of 2004, Part IV**

*As cleared by the Congress on July 22, 2004  
and signed by the President on July 30, 2004*

#### **SUMMARY**

H.R. 4916 (enacted as Public Law 108-280) extends through September 24, 2004, the programs authorized by the Transportation Equity Act for the 21st Century (TEA-21), including the Federal-Aid Highway program, highway and motor carrier safety programs, and transit programs. For those programs, H.R. 4916 provides \$39.4 billion in contract authority (the authority to incur obligations in advance of appropriations). Of that total, \$30.5 billion of contract authority is for the 51-week period from October 1, 2003, through September 24, 2004. The remaining \$8.9 billion of contract authority is available through September 30, 2004.

Consistent with the baseline construction rules in the Balanced Budget and Emergency Deficit Control Act, CBO assumes that funding provided through September 24 will continue at the same rate through the rest of fiscal year 2004 and that all funding will continue at the same rate in each of the following years. Hence, under this law, CBO projects \$242 billion of contract authority over the 2004-2009 period and nearly \$444 billion of contract authority over the 2004-2014 period. That funding level represents a decrease of \$8.6 billion below the baseline amounts projected over the 2004-2009 period and about \$15.8 billion below the baseline amounts projected over the 2004-2014 period.

CBO expects that most spending from those programs will be controlled by limits on annual obligations set in appropriation acts. Consequently, the changes in total contract authority would not affect mandatory outlays. H.R. 4916, however, lowers the annual level of contract authority for the Federal-Aid Highway program that was previously exempt from those obligation limitations. For this reason, the act lowers direct spending by an estimated \$243 million over the 2004-2014 period. H.R. 4916 does not affect revenues.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the impact of H.R. 4916 on direct spending is shown in the following table. The act would not affect federal revenues. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>CHANGES IN DIRECT SPENDING</b>											
Changes in Budget Authority	-1,434	-1,434	-1,434	-1,434	-1,434	-1,434	-1,434	-1,434	-1,434	-1,434	-1,434
Changes in Outlays	-7	-17	-22	-23	-24	-25	-25	-25	-25	-25	-25

## BASIS OF ESTIMATE

H.R. 4916 provides \$39.4 billion in contract authority, a form of mandatory budget authority. Of this total, \$30.5 billion of contract authority is for the 51-week period from October 1, 2003, through September 24, 2004. The remaining \$8.9 billion of contract authority is for the entire fiscal year 2004. The Balanced Budget and Emergency Deficit Control Act specifies that an expiring mandatory program with current-year outlays in excess of \$50 million be assumed to continue at the program level in place when it is scheduled to expire. Following this assumption, under H.R. 4916, CBO projects about \$40.3 billion in contract authority for surface transportation programs each year beginning in 2004. That amount is estimated by annualizing the 51-week figure specified in the act (to a full-year figure of \$31.1 billion), adding the full-year amounts (\$8.9 billion) specified in the act, and adding \$344 million of contract authority provided for fiscal year 2004 by previous legislation.

CBO's current baseline projects annual contract authority of about \$41.7 billion for surface transportation programs, reflecting the level established by Public Law 108-263, which was enacted on June 30, 2004. Thus, H.R. 4916 reduces the contract authority in the baseline projection by \$1.4 billion for each year over the 2004-2014 period. Because most spending from that contract authority will be controlled by limits on annual obligations set in appropriation acts, the change in the projected contract authority does not affect projected outlays.

TEA-21 exempts certain portions of the Federal-Aid Highway program from the obligation limitations set in appropriation acts, resulting in mandatory outlays. H.R. 4916 continues this policy for the Minimum Guarantee portion of the program and exempts about \$602 million in contract authority from any limitation on obligations. CBO assumes that this exemption continues at the same rate through the rest of fiscal year 2004 and in each of the following years. After annualizing that amount, CBO projects that, under H.R. 4916, about \$614 million of contract authority is exempt from any obligation limitation in 2004 and in each of the following years. That sum is \$25 million lower than the baseline level of exempt contract authority for the Minimum Guarantee Program; that change decreases outlays from direct spending by \$243 million over the 2004-2014 period relative to the baseline.

## **PREVIOUS CBO ESTIMATE**

On May 5, 2004, CBO transmitted an estimate of the direct spending effects of H.R. 4219, the Surface Transportation Extension Act of 2004, Part II (Public Law 108-224). That act provided contract authority through June 30, 2004, and CBO's cost estimate showed a decrease in contract authority of \$624 million a year relative to the baseline that existed prior to enactment of that legislation. Those amounts became part of an adjusted baseline for scoring purposes, and the budgetary impact of H.R. 4916 is measured relative to that adjusted baseline.

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